
OLR Bill Analysis

HB 5062

AN ACT CREATING INCENTIVES FOR YOUNG PROFESSIONALS TO LIVE IN URBAN AREAS.

SUMMARY:

This bill allows the housing commissioner, in consultation with the revenue services commissioner, to provide an income tax deduction to recent college and university graduates who rent or purchase their first home in designated urban areas. These graduates qualify for the deduction if they owe at least \$20,000 in student loan debt. The deduction equals up to 10% of their rent or mortgage payments, up to \$1,200 per year for 10 years.

EFFECTIVE DATE: October 1, 2013, except for the provision authorizing the income tax deduction, which takes effect upon passage and applies to income years beginning on or after January 1, 2013.

INCOME TAX DEDUCTION

Under the bill, the housing commissioner may establish a Young Professionals Urban Housing Incentive Program to provide a state income tax deduction to eligible recent graduates. The deduction, up to \$1,200 annually, is up to 10% of an eligible taxpayer's rent or mortgage payments.

For example, under the bill, an eligible taxpayer with a single filing status and CT-AGI of \$50,000 in 2012 who pays \$12,000 in rent would be able to deduct up to \$1,200 in addition to other deductions the law allows. Applying the \$1,200 deduction, the taxpayer would have a CT-AGI of \$48,800. The deduction reduces the taxpayer's taxes by \$54, from \$2,069 (CT-AGI of \$50,000) to \$2,015 (CT-AGI of \$50,000 with maximum \$1,200 deduction).

The deducted rent or mortgage payments must be for a primary residence in a designated urban area. Mortgage payments can be

deducted only if they are for the taxpayer's first home.

ELIGIBLE TAXPAYERS

To qualify for the exemption, taxpayers must:

1. have graduated from a public or private institution of higher education, including regional community-technical colleges, on or after January 1, 2014;
2. be personally liable for at least \$20,000 in student loans; and
3. pay rent or make mortgage payments on housing in an urban area designated by the housing commissioner.

Taxpayers are eligible to participate in the program only during the year in which they graduate and the nine taxable years that follow. An eligible taxpayer whose student loan debt falls below \$20,000 or who stops making payments on an eligible property immediately becomes ineligible for the deduction.

APPLICATION

Eligible taxpayers must apply biennially, with supporting documentation, to the commissioner for acceptance into the program. The commissioner must create the application form and designate the urban areas where the deduction is available.

BACKGROUND

Related Program

The Department of Economic and Community Development (DECD) commissioner is authorized to establish the Live Here, Learn Here Program to help students save towards a down payment on their first home in Connecticut by segregating a portion of their state income tax payments for up to 10 years after they graduate. To receive the down payment assistance, a student must apply to the DECD commissioner within 10 years of graduation. The payment equals the segregated amount, up to the amount needed for the down payment. Any balance remaining in a student's account must be deposited in the General Fund. Students who receive the assistance and subsequently

leave Connecticut may have to repay all or part of the assistance, depending on when they leave.

COMMITTEE ACTION

Housing Committee

Joint Favorable

Yea 10 Nay 0 (03/14/2013)